

Message Text

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ACTION EUR-25

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INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20 SAM-01 DODE-00

PM-07 H-03 L-03 NSC-07 PA-04 PRS-01 SS-20 USIA-15

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TO SECSTATE WASHDC 9976

INFO AMCONSUL OPORTO

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SUBJ: NEW ECONOMIC LAWS

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SUMMARY: AT PRESS CONFERENCE JULY 5 ECONOMIC COORDINATION
MINISTER VIEIRA DE ALMEIDA ANNOUNCED SERIES OF LAWS
GOVERNING ECONOMIC ACTIVITY, INCLUDING INDUSTRIAL REORGANIZATION
AND FOREIGN INVESTMENT. TEXTS IN HANDS OF GOVERNMENT
PRINTER BUT HAVE NOT YET APPEARED. ISSUANCE OF CRUCIAL
LEGISLATION GOVERNING RIGHT TO STRIKE AND LABOR-
MANAGEMENT RELATIONSHIPS HAS BEEN POSTPONED UNTIL JULY 31,
ALONG WITH LAWS ON RENTS AND URBAN BUILDINGS. SOME OF
BUSINESSMEN'S DOUBTS RE GOP INTENTIONS THUS DOOMED TO
LAST UNTIL AT LEAST END OF CURRENT MONTH. POSTPONEMENT
OF LABOR LEGISLATION ALSO INDICATES DISSENSION EXISTS
AMONG THOSE GOVERNING. END SUMMARY.

1. AT A PRESS CONFERENCE ON JULY 5 ECONOMIC COORDINATION

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MINISTER VIEIRA DE ALMEIDA ANNOUNCED NEW LAWS COVERING

INDUSTRIAL REORGANIZATION, FOREIGN INVESTMENT, GOVERNMENT SALARIES, FISCAL REFORM, SAVINGS AND INVESTMENT INDUCEMENTS, PRICE CONTROL, AND AGRICULTURAL DEVELOPMENT (INCLUDING SPECIAL PROVISIONS FOR THE AZORES). TEXTS OF LAWS ARE EXPECTED TO BE ISSUED DURING THE WEEK OF JULY 8.

2. SOME OF POINTS ALMEIDA MADE ABOUT THE NEW LEGISLATION ARE AS FOLLOWS:

A. INDUSTRIAL REORGANIZATION- LAW DIVIDES INDUSTRY INTO FOUR CATEGORIES HAVING VARYING DEGREES OF GOVERNMENT PARTICIPATION: (1) NATIONAL DEFENSE INDUSTRIES-GOVERNMENT CONTROLLED; (2) BASIC INDUSTRIES OF " EXCEPTIONAL INTEREST" (COMPRISED OF EXTRACTIVE INDUSTRIES, PETROCHEMICALS, IRON AND STEEL, AND TOBACCO)- GOVERNMENT WILL ACT THROUGH ITS REPRESENTATIVES WHEN IT HAS OWNERSHIP PARTICIPATION AND WILL HAVE DELEGATES TO OVERSEE AND INFLUENCE MANAGEMENT WHEN IT DOES NOT; (3) OTHER BASIC INDUSTRIES (NOT SPECIFIED IN NEWSPAPER ACCOUNTS)- GOVERNMENT WILL REQUIRE PUBLIC BIDS; AND (4) OTHERS- NO SPECIAL GOVERNMENT AUTHORIZATION IS REQUIRED. (ALMEID'S REMARKS ON FOREIGN INVESTMENT AND ROLE OF PRIVATE ENTERPRISE WERE SIMILAR TO THOSE MADE BEFORE AMERICAN CLUB JULY 4- SEE REFTEL. B. GOVERNMENT SALARIES-SALARY INCREASES WILL RANGE FROM 42 TO 27 PERCENT, FAVORING THOSE ON LOW END OF WAGE SCALE. C. FISCAL REFORM-LOW INCOME EARNERS WILL HAVE TO PAY LESS DIRECT TAXES. INDIRECT TAXES ON LUXURY ITEMS, BEER, AND TOBACCO WILL BE INCREASED TO COMPENSATE TREASURY FOR LOSS OF DIRECT-TAX INCOME.

D. SAVINGS AND INVESTMENT INDUCEMENTS-INTEREST RATES ON LONGER TERM SAVINGS ACCOUNTS WILL BE INCREASED AND SELECTIVE MEASURES TO CHANNEL CREDIT TOWARD PRODUCTION RATHER THAN CONSUMPTION WILL BE UTILIZED. E. PRICES WILL BE SUBJECT TO A NEW SYSTEM OF CONTROL YET TO BE ELABORATED.

3. COMMENT: WITHOUT TEXTS OF LAWS IT IS DIFFICULT TO JUDGE HOW SWEEPING PROVISIONS AFFECTING THE PRIVATE SECTOR ARE. THERE WAS, HOWEVER, NOTHING IN THE PRESS UNCLASSIFIED

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COVERAGE OF ALMEIDA'S REMARKS TO CONFIRM THE RUMORS OF EXTENSIVE NATIONALIZATION WHICH CIRCULATED IN LISBON LAST WEEK. THE GOVERNMENT'S DELAY IN ISSUING LABOR LEGISLATION IS DISTRESSING TO THE BUSINESSMEN WHO HAVE BEEN AWAITING A RESOLUTION OF THEIR PROBLEMS CAUSED BY WORKER INTERFERENCE WITH MANAGEMENT. THE GOP'S DECISION TO AGAIN SET A NEW DEADLINE ON THE LABOR LAW TENDS TO CONFIRM RUMORS THAT DIVERGENT OPINIONS WITHIN THE

CABINET ARE PROVING DIFFICULT TO RESOLVE. BUSINESSMEN
FEAR THAT INTENSE DEBATE WITHIN THE GOP WILL RESULT
IN UNWANTED COMPROMISES WITH EXTREME DEMANDS OF THE LEFT.
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